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*Attorneys for Debtors
and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

Bankruptcy Case No. 19 -30088 (DM)

PG&E CORPORATION,

Chapter 11

- and -

(Lead Case) (Jointly Administered)

**PACIFIC GAS AND ELECTRIC
COMPANY,**

Debtors.

**DECLARATION OF STEPHEN KAROTKIN IN
SUPPORT OF DEBTORS' MOTION PURSUANT
TO 11 U.S.C. §§ 363(b) AND 105(a) AND FED. R.
BANKR. P. 9019 FOR ENTRY OF AN ORDER (I)
APPROVING SETTLEMENTS WITH FEDERAL
AND STATE AGENCIES OF GOVERNMENTAL
AGENCY FIRE CLAIMS, AND (II) GRANTING
RELATED RELIEF**

☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric
Company

☒ Affects both Debtors

** All papers shall be filed in the Lead
Case, No. 19-30088 (DM).*

Related Docket No. 6940

1
2 I, Stephen Karotkin, pursuant to section 1746 of title 28 of the United States Code,
3 hereby declare under penalty of perjury that the following is true to the best of my knowledge,
4 information, and belief:

5 I am a partner at Weil, Gotshal & Manges LLP, attorneys for PG&E Corporation and
6 Pacific Gas and Electric Company, as debtors and debtors in possession (collectively, “**PG&E**” or
7 the “**Debtors**”). Weil was retained and employed to serve as the Debtors’ attorneys in these Chapter
8 11 Cases by Order dated April 9, 2019 [Docket No. 1298].

9 I am authorized to submit this Declaration (the “**Declaration**”) on behalf of the
10 Debtors in support of the *Debtors’ Motion Pursuant to 11 U.S.C. §§ 363(b) and 105(a) and Fed. R.*
11 *Bankr. P. 9019 for Entry of an Order (i) Approving Settlements with Federal and State Agencies of*
12 *Governmental Agency Fire Claims, and (ii) Granting Related Relief* (the “**Motion**”), filed
13 contemporaneously herewith.¹ The facts set forth in this Declaration are based upon my personal
14 knowledge, my review of relevant documents, and information reviewed by me in the course of my
15 duties and responsibilities. If called upon to testify, I would testify to the facts set forth in this
16 Declaration.

17 Pursuant to the Motion, the Debtors are seeking authority to enter into two
18 settlements: one with FEMA, the SBA, and the other Federal Agencies regarding the treatment of
19 the Federal Agency Fire Claims under the Plan (the “**Federal Agency Settlement**”), and one with
20 the State Agencies regarding the treatment of the State Agency Fire Claims under the Plan (the
21 “**State Agency Settlement**,” and, together with the Federal Agency Settlement, the “**Governmental**
22 **Fire Claims Settlements**”). Copies of the Governmental Fire Claims Settlements are attached to
23 the Motion and described therein.

24 As set forth in the Motion, the Governmental Fire Claims Settlements resolve the
25 treatment of approximately \$7.5 billion in aggregate of Fire Claims that have been asserted by the
26 various Governmental Agencies in these Chapter 11 Cases for (a) an allowed \$1 billion,

27 ¹ Capitalized terms used but not herein defined shall have the meanings ascribed to such terms in
28 the Motion.

1 Subordinated Claim (to be subordinated and junior in right of payment to all other Fire Victim
2 Claims that may be asserted against the Fire Victim Trust), and (b) certain additional allowed Claims
3 that total approximately \$321.3 million in the aggregate, which will be payable over a period of
4 years and solely, as applicable, from (i) interest earned on cash assets of the Fire Victim Trust, (ii)
5 any net proceeds in excess of the Effective Date Equity Value realized by the Fire Victim Trust
6 from the sale of the Reorganized PG&E Corp. common stock to be funded into the Fire Victim
7 Trust on the Effective Date, and (iii) any net recovery from the prosecution of the Assigned Rights
8 and Causes of Action to be assigned to the Fire Victim Trust on the Effective Date under the Plan.
9 These settlements thus resolve the substantial Fire Claims that have been asserted by the
10 Governmental Agencies in these Chapter 11 Cases while, importantly, limiting the impact on the
11 consideration to be transferred to the Fire Victim Trust that will be available for all other holders of
12 allowed Fire Victim Claims. The satisfaction and discharge of the Fire Claims asserted by the
13 Governmental Agencies shall be solely from the consideration to be transferred to the Fire Victim
14 Trust pursuant to the Plan.

15 In addition, the Governmental Fire Claims Settlements eliminate ongoing and
16 potential future litigation among the parties regarding, among other things, the classification and
17 allowance of the substantial Fire Claims asserted by the Governmental Agencies, along with the
18 uncertainty those disputes impose on both the timely confirmation of the Plan by the June 30, 2020
19 deadline set by AB 1054 and the expediency of distributions to holders of allowed Fire Victim
20 Claims.

21 The Governmental Fire Claims Settlements are the product of good faith, arm's-
22 length negotiations, including as part of the mediation ordered by this Court under the direction of
23 former Bankruptcy Judge Newsome, and I believe the Governmental Fire Claims Settlements
24 represent a reasonable compromise and will facilitate the timely and successful administration of
25 the Debtors' Chapter 11 Cases.

26 As stated, the Governmental Fire Claims Settlements fully resolve substantial
27 ongoing and potential future litigation regarding the Governmental Agency Fire Claims. It is my
28 belief that the Governmental Fire Claims Settlements recognize and appropriately take into account

1 the risk to the estates of an adverse outcome in these litigations and the importance of successfully
2 concluding these Chapter 11 Cases on a timely basis.

3 Approval of the Governmental Fire Claims Settlements will also save the further
4 time and expense associated with briefing and preparing for oral argument on the issue of
5 classification of the Governmental Agency Fire Claims under the Plan, which originally was
6 scheduled to commence on March 13, 2020, as well as other potential objections the Governmental
7 Agencies may have later raised regarding the allowance or treatment of the Governmental Agency
8 Fire Claims, including issues relating to the treatment of such Claims in connection with Plan
9 confirmation.

10 The compromise reflected in the Governmental Fire Claims Settlements also
11 minimizes the impact of the Governmental Agency Fire Claims on other holders of allowed Fire
12 Victim Claims, and protects the estates from any further recoveries on account of the Governmental
13 Agency Fire Claims. Additionally, under the Governmental Fire Claims Settlements the allowed
14 amount of the Governmental Agency Fire Claims will be reduced from an asserted amount of
15 approximately \$7.5 billion to approximately \$1.3 billion, \$1 billion of which, as described in the
16 Motion, will be subordinated in payment to all other holders of Fire Victim Claims.

17 The Governmental Fire Claims Settlements appropriately balance the risks,
18 complexity, and expense associated with litigating the Governmental Agency Fire Claims, the
19 potential delays that would be occasioned by such litigation, and the potential of the Claims to affect
20 timely confirmation of the Plan and negatively impact the recoveries of the individual Fire Victim
21 Claimants. Further, the TCC, as the fiduciary for Fire Victim Claimants, is a party to the settlements
22 and actively participated in the negotiation thereof. Under these circumstances, I believe that the
23 Governmental Fire Claims Settlements are in the best interests of the Debtors' estates and all of the
24 Debtors' economic stakeholders and that the Debtors' entry into the settlements represents a sound
25 exercise of the Debtors' business judgment.

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1 Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury, that the foregoing
2 is true and correct.

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4 Dated: April 25, 2020
5 Scarsdale, New York

6 /s/ Stephen Karotkin
Stephen Karotkin
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